

Message Text

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ACTION OPIC-06

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CIAE-00 INR-10 NSAE-00 TRSE-00 XMB-04 SIL-01
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FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 7267
INFO USDOC WASHDC
AMCONSUL GUADALAJARA
AMEMBASSY GUATEMALA
AMEMBASSY MEXICO
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

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FOR OPICJD

E.O. 11652: NA
TAGS: BEXP, EFIN, EINV, NU
SUBJECT: PROPOSED ESTABLISHMENT OF CAN MANUFACTURING FACILITY IN
NICARAGUA

REF: OPIC FORM NO. 50 AND OPIC REGISTRATION NOTICE
NO. 524-78-222

1. COMOFF SPOKE WITHKING. ALFREDO SACASA, GENERAL
MANAGER OF COMPANIA CEFVECERA DE NICARAGUA, ABOUT
THE PROPOSED INVESTMENT OF CONTINENTAL CAN INTER-
NATIONAL CORPORATION IN A CAN MANUFACTURING FACILITY
IN NICARAGUA. SACASA POINTED OUT THAT CURRENTLY THERE
IS NO CAN MANUFACTURING FACILITY IN CENTRAL AMERICA
AND THAT ALL CANS ARE IMPORTED, PRIMARILY FROM THE
U.S. ALTHOUGH HIS BREWERY BEGAN MARKETING BEER IN
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CANS (IN ADDITION TO ITS LINES OF BOTTLED BEER) ONLY
EIGHTEEN MONTHS AGO, SACASA APPARENTLY BEGAN CONTEM-
PLATING THE IDEA OF THE ESTABLISHMENT OF A CAN
MANUFACTURING FACILITY APPROXIMATELY FOUR YEARS AGO.
COMPANIA CERVECERA DE NICARAGUA CURRENTLY IMPORTS
APPROXIMATELY ONE MILLION CANS PER MONTH FROM THE
U.S. AT A COST (INCLUDING IMPORT DUTIES) OF \$118

PER THOUSAND.

2. THE GLASS BOTTLES USED BY COMPANIA CERVECERA ARE PRODUCED BY A BOTTLE PLANT IN GUATEMALA, CENTRO-AMERICANA DE VIDRIO, S.A., OWNED BY COMPANIA CERVECERA DE NICARAGUA, A MAJOR GUATEMALAN BREWERY, AND A MAJOR BREWERY IN COSTA RICA. THESE BREWERIES, AS WELL AS MAJOR BREWERIES IN EL SALVADOR AND HONDURAS WERE CONTACTED CONCERNING POSSIBLE PARTICIPATION IN THE ESTABLISHMENT OF THE CAN FACTORY. THE GUATEMALAN AND COSTA RICAN BREWERIES HAVE ACCEPTED PARTICIPATION IN THE PROJECT, WHILE THE EL SALVADOREAN AND HONDURAN BREWERIES HAVE NOT AS YET DECIDED.

3. THE PROPOSED PROJECT IS A \$3 MILLION FACTORY TO BE LOCATED ON 18 ACRES OF LAND ON MANAGUA'S NORTH HIGHWAY. THE INSTALLATION WOULD PRODUCE THREE-PIECE CANS WHOSE SIZE AND SHAPE CAN BE CHANGED WITH A MINIMAL AMOUNT OF MACHINERY MODIFICATION. SACASA INDICATED THAT NICARAGUA WAS CHOSEN AS THE SITE OF THE FACTORY DUE TO ITS GEOGRAPHIC LOCATION BETWEEN GUATEMALA AND COSTA RICA THUS MAKING DISTRIBUTION LESS COSTLY AND TIME CONSUMING. OPERATION OF THE FACTORY IS SCHEDULED TO BEGIN IN LITTLE OVER ONE YEAR AND SOFT DRINK MANUFACTURERS HAVE ALREADY EXPRESSED AN INTEREST IN THE BUYING FROM THE PROPOSED UNCLASSIFIED

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PLANT. SACASA INDICATED THAT PRODUCTION FOR THE FIRST YEAR WILL BE APPROXIMATELY 35 MILLION UNITS AND WILL INCREASE TO 100 MILLION UNITS BY THE FOURTH YEAR OF OPERATION.

4. OWNERSHIP OF THE COMPANY (APPARENTLY AS YET UNNAMED) WILL BE THE FOLLOWING: 35 PERCENT, CONTINENTAL CAN; 20 PERCENT, COMPANIA CERVECERA DE NICARAGUA; 40 PERCENT, DIVIDED EQUALLY BETWEEN THE PARTICIPATING BREWERIES FROM GUATEMALA AND COSTA RICA; AND 5 PERCENT, AS YET UNASSIGNED BUT WILL BE OFFERED TO THE BREWERIES IN HONDURAS AND /OR EL SALVADRO SHOULD THEY DECIDE TO JOIN THE CORPORATION. ALL THE MACHINERY FOR THE FACTORY WILL BE IMPORTED FROM CONTINENTAL CAN IN THE U.S. AND ANNUAL ROYALTY PAYMENTS WILL BE MADE TO THAT COMPANY.

5. WHEN PRODUCTION REACHES FULL CAPACITY, THE FIRM WILL EMPLOY APPROXIMATELY 180 PEOPLE, WHO WILL WORK IN THREE SHIFTS DAILY. TRAINING FOR THE WORKERS WILL BE UNDERTAKEN BY CONTINENTAL CAN. IN ADDITION, THE PRODUCTION MANAGER, GENERAL MANAGER, AND FOREMEN

WILL ATTEND CONTINENTAL CAN'S TRAINING FACILITIES IN MEXICO CITY AND TOUR THAT FIRM'S INSTALLATIONS IN GUADALAJARA, MEXICO.

6. COMPANIA CERVECERA DE NICARAGUA IS A LARGE, WELL-REGARDED FIRM WHICH HAS BEEN CALLED ONE OF THE FEW "REAL CORPORATIONS" IN NICARAGUA (I.E., MANAGEMENT DECISIONS ARE NOT DOMINATED BY FAMILY INTERESTS). ITS MANAGEMENT HAS LONG EXPERIENCE IN BREWING AND RELATED FIELDS, INCLUDING THE ADMINISTRATION OF A CROWN CAP MANUFACTURING COMPANY AND A LOCAL SOFT DRINK BOTTLER.

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FOR OPIC

7. THE PROJECT'S MAJOR BENEFITS TO NICARAGUA WOULD BE GENERATION OF EMPLOYMENT OPPORTUNITIES, A NATIONAL EXPANSION INTO A NEW LINE OF PRODUCTION WHICH WOULD BROADEN NICARAGUA'S INDUSTRIAL BASE, AND THE AVAILABILITY OF AN INDIGENOUS SUPPLY OF ALUMINUM CANS AT PRICES BELOW THOSE WHICH MUST BE PAID FOR IMPORTED CANS. NICARAGUA'S LONG-TERM DEVELOPMENT PLANS INCLUDE THE ESTABLISHMENT OF A FOOD PROCESSING SECTOR AND THE NATIONAL DEVELOPMENT BANK HAS ALREADY FINANCED A TOMATO PASTE/FRUIT JUICE PLANT IN THE

CITY OF GRANADA. THAT FIRM AND FUTURE FIRMS IN THE FOOD PROCESSING AND PACKAGING SECTOR WOULD BENEFIT FROM THE AVAILABILITY OF A LOCAL PRODUCER OF ALUMINUM CONTAINERS.

8. AN INVESTMENT OF THIS TYPE, AT THIS TIME IN NICA-
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RAGUA BY A WELL-KNOWN AMERICAN CORPORATION WOULD GIVE "A SHOT IN THE ARM" TO NICARAGUA'S SAGGING INVESTMENT/ECONOMIC CLIMATE AND MIGHT SERVE AS ENCOURAGEMENT TO OTHER LOCAL AND FOREIGN INVESTORS. EMBASSY RECOMMENDS APPROVAL OF CONTINENTAL CAN'S APPLICATION.
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